GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3264
ANSWERED ON:08.12.2000
AMENDMENT IN THE RBI ACT, 1934
SULTAN SALAHUDDIN OWAISI

Will the Minister of FINANCE be pleased to state:

(a) whether instances of several financial companies and unincorporated bodies disappearing while collecting millions of rupees as deposits robbing the innocent people of their hard earned money are on the increase;

(b) if so, whether several State Governments have requested the Union Government to amend the Reserve Bank of India Act, 1934 and delegate powers to State Governments in this regard;

(c) if so, whether the Union Government are considering request of State Governments in this regard; and

(d) if so, the details thereof and action taken or being taken in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d) : The Reserve Bank of India (RBI)have reported that complaints have been received from depositors against some Non Banking Finance Companies(NBFCs) who failedto repay their deposits. Under the provisions of relevant Section of RBI Act, 1934 unincorporated bodies are not permitted to raise deposits from public. Whenever the bank comes to know of deposit acceptance activities of unincorporated bodies, such cases are being referred to the concerned State police for investigation and action. Task Force on NBFCs constituted by the Governmentrecommended that the State Government should be empowered to initiate adverse action against those NBFCs which function illegally or accept public deposits unauthorisedly.Accordingly, RBI has requested State Governments to initiate necessary steps to set up cells at the State and District levelsto redress depositors` grievances. The State Governments have also been requested by RBIto consider enacting legislation on the lines of Tamil Nadu Protection of Interestof Depositors (in Financial Establishments) Act, 1997.Central Government is proposing to introduce in Parliament during the current session a new legislation for NBFCs for better regulation of NBFCs and by providing more safeguards for the depositors.